

Pass Your Certified Fraud Examiner CFE-Financial-Transactions-and-Fraud-Schemes Exam on Jul 23, 2023 with 100 Questions [Q41-Q57]

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CFE-Financial-Transactions-and-Fraud-Schemes Free Exam Study Guide! (Updated 100 Questions)

NO.41 A special scheme in which employees know their employer is seeking to purchase a certain asset and take advantage of the situation by purchasing the asset themselves is:

- * Conflict of interest in sale
- * Turnaround sale or flip
- * Unauthorized sale
- * Written sale of unique assets

NO.42 If an analytical review reveals that a company's cost of goods sold has increased by a disproportionate amount relative to its sales, and no changes have occurred in the purchase prices, quantities purchased, or quality of products purchased, what does this most likely indicate?

- * There were excessive sales returns during the period.
- * The company started recording warranty liabilities.
- * Inventory has been depleted by theft.
- * Sales were unusually poor this year compared to last year.

Explanation/Reference:

https://www.acfe.com/uploadedFiles/Shared_Content/Products/Self-Study_CPE/Intro%20to%20Fraud-Chapter%20Excerpt.pdf

NO.43 Which of the following is the MOST APPROPRIATE technique for detecting a nonconforming goods or services scheme?

- * Determining if contract costs have exceeded or are expected to exceed the contract value
- * Comparing the direct and indirect labor account totals from the prior year to the current year
- * Examining change orders that increase the price of the existing contract
- * Interviewing procurement personnel about the presence of any red flags

Explanation/Reference: https://www.acfe.com/uploadedFiles/ACFE_Website/Content/review/cpf/07-Performance-Schemes.pdf

Detecting Nonconforming Goods or Services Fraud

- Review the contractor's books, payroll, and expense records to see if the contractor incurred necessary costs to comply with contract specifications.
- Review the inspection and testing reports.
- Exercise audit rights to examine the contractor's records.

NO.44 Which of the following is an example of a corruption scheme?

- * A public company omits recurring costs from its financial statements to make the company appear more profitable than it actually is.
- * A government procurement manager awards a lucrative contract to a vendor in exchange for an offer of future employment.
- * A warehouse manager receives thirty tablets in a shipment but excludes five from the records and sells them to third parties.
- * Two data analysts steal confidential algorithms from their workplace and use the stolen data to start a competing business.

Explanation/Reference: <https://www.acfe.com/risk-assessment-m13.aspx>

NO.45 A _____ can be very costly for an organization to undertake, both in terms of money and time spent.

Civil lawsuit

NO.46 Which of the following scenarios is an example of an electronic extortion scheme?

- * A vendor rewards a purchasing employee with tickets for a professional sports team's game after the employee directs business to the vendor.
- * An employee receives a payment for directing excess business to a vendor.
- * A purchasing employee and vendor agree to bill the company for services never rendered.
- * A politician threatens to shut down a business if it does not pay a bribe.

NO.47 A shell company scheme in which actual goods or services are sold to the victim company is known as:

- * Maintenance scheme
- * Allocation scheme
- * Distribution scheme
- * Pass-through scheme

NO.48 Which of the following is a common red flag of procurement fraud schemes involving collusion among contractors?

- * More competitors than usual submit bids on a project or product.
- * Bid prices rise when a new contractor enters the competition.

* The winning bidder does not subcontract any work to a third party.

* There is a pattern where the last party to bid wins the contract.

Explanation/Reference:

<https://iacrc.org/procurement-fraud/the-most-common-procurement-fraud-schemes-and-their-primary-red-flags/>

The major red flags of collusive bidding

- Winning bid too high compared to cost estimates, published price lists, similar jobs or industry averages; persistent high prices over time
- Rotation of winning bidders by job, type of work or geographical area
- Losing bidders hired as subcontractors
- Unusual bid patterns. For example, the bids are:
 - Too high
 - Too close
 - Too consistent
 - Too far apart
 - Round numbers
 - Incomplete identical or similar to prior or other bid
- Apparent connections between bidders: common addresses, personnel, phone numbers, etc.

NO.49 _____ is required not only for theft, but for procedures to detect errors, avoid waste and insure a proper amount of inventory is maintained.

Inventory control

NO.50 Which sale occurs when the accomplice of the employee-fraudster buys merchandise, but the employee does not ring up the sale, and the accomplice takes the merchandise without making any payment?

- * Whole sale
- * Fake sale
- * Fraudster sale
- * Preliminary sale

NO.51 All of the following methods would be helpful in detecting a skimming scheme EXCEPT:

- * Comparing register totals to the cash count
- * Confirming customers' outstanding account balances
- * Counting the physical inventory
- * Examining journal entries for accounts receivable write-offs

Explanation/Reference:

https://www.acfe.com/uploadedFiles/Shared_Content/Products/Self-Study_CPE/Intro%20to%20Fraud-Chapter%20Excerpt.pdf

NO.52 In Fraud scale pressure, opportunity and integrity variables all results in a list of ___ possible red flags or indicators of occupational fraud and abuse.

- * 81
- * 82
- * 83
- * 84

NO.53 The principal way to detect omitted credits from books of account is through:

- * Forced Balance
- * Trend analysis
- * Expense account
- * None of all

NO.54 _____ is a process by which a bookkeeper records all transactions and can adjust the books.

- * Journal Entries
- * Accounting Cycle
- * Financial statement
- * None of all

NO.55 Physical assets including _____ and _____ are the most commonly misappropriated noncash asset in our study.

- * Interest & Collusion
- * Inventory & Equipment
- * Inventory & Purchase
- * Sales & Equipment

NO.56 What can make it easy for an employee to skim sales or receivables?

- * Revenue sources and recording procedures
- * Poor collection and recording procedures
- * Internal audits and recording procedures
- * Register manipulations and recording procedures

NO.57 The most common method of detection in corruption cases is:

- * Internal audits
- * Internal controls
- * Tips
- * By accident

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prevention, and investigation of fraud in financial transactions and schemes. It covers topics such as money laundering, financial statement fraud, and asset misappropriation.

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